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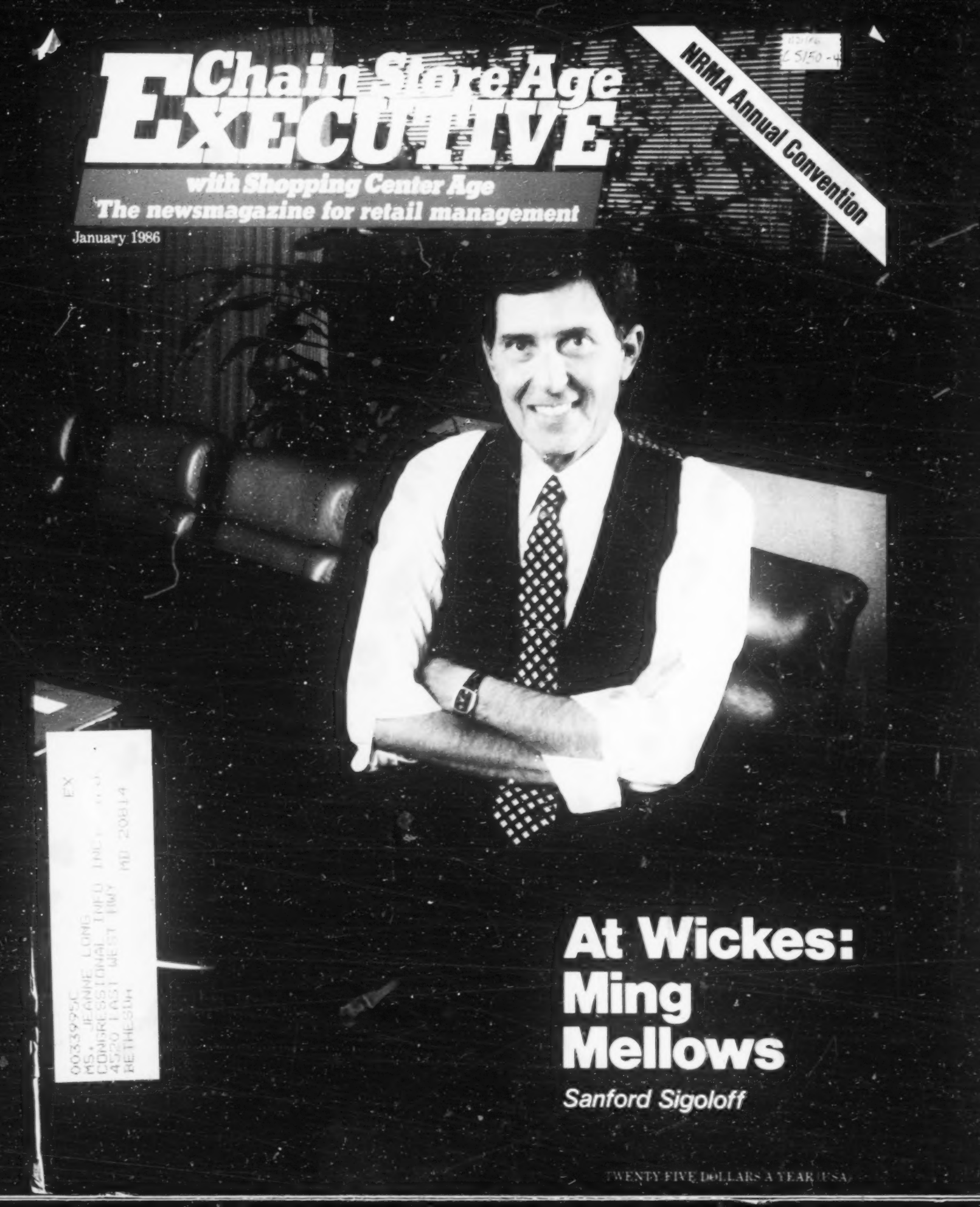
The newsmagazine for retail management
January 1986

NRMA Annual Convention



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THE LOOP COMES FULL CIRCLE

While it might not be obvious to the casual observer, State Street, the Loop's retail hub, is showing signs of a revival. New specialty retailers have moved into the area; Marshall Field and Carson Pirie Scott have each invested $25 million in their flagship stores. And a major new retail project is on the drawing board. *13*

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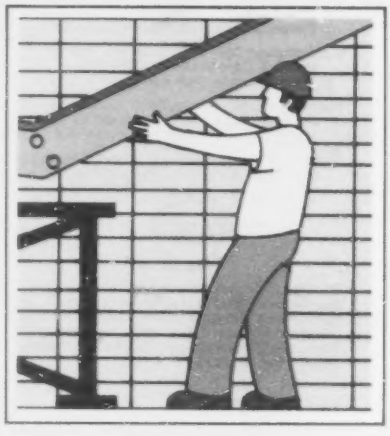
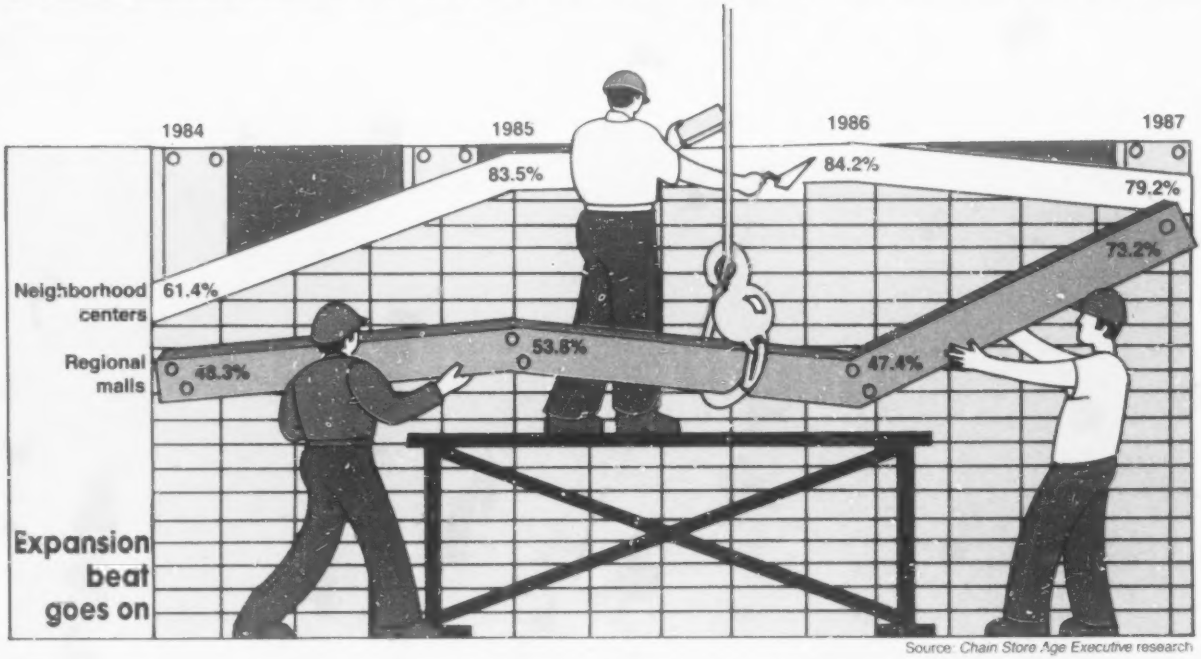


SURVEY: BETTING ON A SURE THING?

The gamble is that the supply of space won't exceed retail demand. *Chain Store Age Executive*'s annual construction outlook measures the stakes. Also in this issue, a look at the real estate strategies of Irresistibles, a nine-unit upscale women's apparel chain. *31*

BETTING ON A SURE THING?

IN BUILDING NEW CENTERS, DEVELOPERS GAMBLE ON RETAIL DEMAND FOR SPACE



Source: *Chain Store Age Executive* research

Shopping center developers are no strangers to high stakes games. But they are taking a particularly big gamble in betting that retail real estate demand will be great enough in 1987 to fill a substantial amount of new center space.

What's more, much of this space will be in brand new regional malls, marking a real upswing in large center construction, and perhaps signaling some major changes in retail location strategy.

Specifically, while many retailers have turned to small center sites to fulfill their expansion needs, with a plethora of new opportunities, they may reverse this decision. This, in turn, may help cause some slowing down of construction of new neighborhood/convenience/community centers.

These are only some of the inferences that can be drawn from a survey of shopping center development trends recently conducted by *Chain Store Age Executive*. This research focuses specifically on plans for additions to GLA, whether through new construction, center expansion and/or acquisitions of existing centers.

Respondents included developers of varying types of centers, including the following: specialty centers; mixed-use/multi-use centers in suburban locations, mixed-use/multi-use centers in downtown locations; and off-price/outlet centers.

Specific analysis was also made of plans for additions to GLA being made by developers who cited regional malls or neighborhood/convenience/community centers as their primary area of involvement.

Among the regional mall group planning additions to GLA, a respectable 47.4% expect to open new centers before this year is over, down slightly from 53.8% who opened new centers last year.

However, what's most significant is that this percentage jumps all the way to 73.2% for 1987.

In order to lease all of this space, these regional mall developers are betting not only that there will be further expansion by traditional mall anchors, department stores, but also that other types of possible anchor tenants, including promotional stores (Mervyn's) and catalog showrooms (Service Merchandise), will continue to be attracted to such locations.

They are also wagering on the fact that not only will traditional specialty store tenants such as The Limited, U.S. Shoe divisions, Melville divisions and Petrie Stores, add still more units, but also that a host of new entrepreneurs will continue to appear.

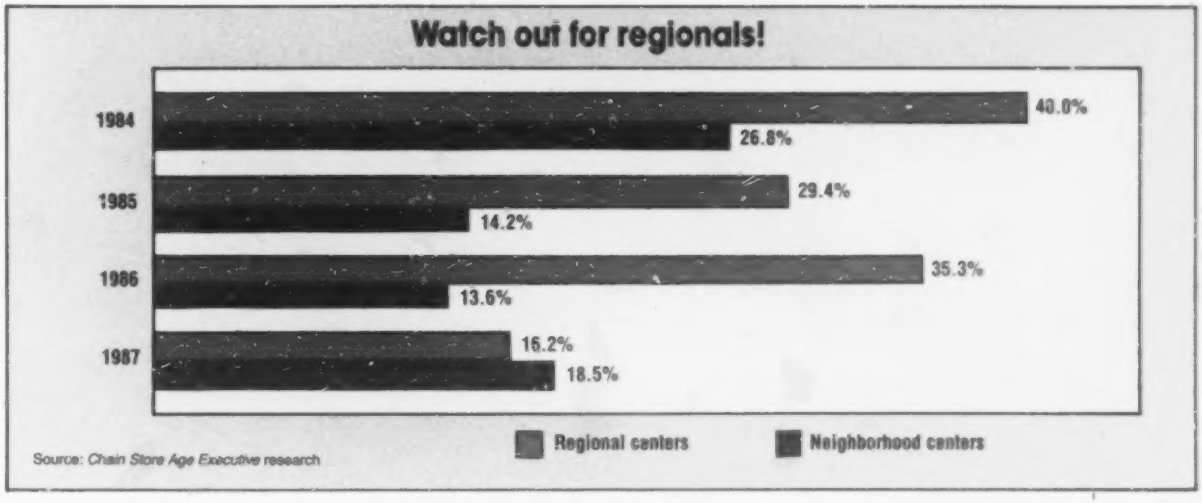
Beyond counting on additional retailer space demands, other major factors spurring regional mall developers are related to significant improvements in center financing.

Specifically, interest rates appear to have stabilized at somewhere around 12% or less. In addition, conventional long-term mortgages have re-emerged as a major financing tool. The survey indicates, for example, that already in 1985 67% of those developers involved primarily in regional mall development took advantage of this financing tool, up significantly from only 26% in 1984.

Regional mall developers also have the odds in their favor in terms of having learned to contain construction costs. Average costs per square foot of new construction are expected to rise to $33.40 this year, up 7% from 1985's $31.20. However, that figure is a whopping 25% below 1984's $45.80.

Some possible explanations for this drop include improved construction techniques and better, lower cost materials alternatives.

Conversely, costs keep going up for those survey respondents whose primary area of development neighborhood/community/convenience



centers.

Already, in 1985, average cost per square foot for such construction climbed above that for regional mall building, to $38.90. This is up 6% from the prior year's $36.70 per square foot, and also up 20% from comparable regional mall costs.

A more moderate increase is expected this year with per square foot costs rising to $40.40, or a 4% climb.

The major reason for these continuing increases is obviously the increased attention being paid to esthetics by such developers, evidenced by the increased use of landscaping as well as by greater architectural detailing.

The continuing climb in costs may be one reason why by 1987 the GLA additions accounted for by new center construction are likely to be declining for neighborhood/convenience/community center developers. New centers are expected to account for 84.2% of GLA additions this year, up very slightly from 1985's 83.5%.

Even more significantly, that figure is expected to drop substantially in 1987, with new centers accounting for only 79.2% of new space, and only slightly above regional mall developers' projections of 73.5%.

At the same time, though, the average size of neighborhood/convenience/community centers continues to increase: in 1984, 161,000 sq. ft.; in 1985, 188,000 sq. ft.; and this year a projected 200,000 sq. ft.

The average size of new regional malls is also projected to again be on the upswing, up to 496,000 sq. ft. from last year's 473,000 sq. ft., but still below 1984's level when the average size was 520,000 sq. ft.

The average size range of these new regional malls appears indicative of their locations which fall into two basic categories: in-fill locations where there might be a number of nearby competitors and middle-markets where the population cannot support a larger facility (in this case, though, the centers are often built with plenty of room for further expansion).

The study did not research the average size for 1987's new centers but there are already strong indications that the size range may go up sharply. That's because a number of the nation's leading developers have already announced plans to go ahead with super-regionals—centers reaching or surpassing 1 million sq. ft.

Reflecting the latest increases in the size of both regional malls and neighborhood/convenience/community centers, the overall average for new center size is also on the upswing. Looking at the total survey universe, the average size of centers rose to 269,000 sq. ft. in 1985, from the prior year's 228,000 sq. ft. It is projected to increase further this year, to 313,000 sq. ft.

Again looking at the total survey group, 88% of those surveyed expect to add to GLA in 1986, falling to 82% in 1987 (but here a full 18% of the survey participants said they were still undecided about 1987 plans).

Among those reporting or projecting additions to GLA, 60% opened new shopping centers in 1985, 64% expect to open them next year and 76% have new center openings already planned for 1987.

Looking specifically at the geographic breakdown of new construction, it appears that regional mall development is remaining strongest in the southeast this year, with 46% of those regional mall developers building new centers this year locating them in that region. This is down, though, from 64% reporting new southeast projects in 1985.

Conversely, while none of this group reported new centers opening in either the mid-Atlantic or Midwest areas during 1985, each of these areas was cited by 9% of the group as being targeted for new center construction this year. (In contrast, last year 9% reported building new centers in the Northeast; no one reports new construction planned for that region this year.) Other areas where some regional mall development is taking place this year include the Southwest area and the Pacific area; each was cited by 18% of this year's respondents. These compared to 18% and 9% respectively for these areas in 1985.

While regional mall development appears to be growing more geographically diverse, just the opposite appears to be happening in the case of neighborhood/convenience/community center development. Here, by far the most dominant area, cited by 73% of the respondents, is the Southeast. This is followed by 13% respectively for both the Southwest and the Pacific areas. No other regions were mentioned.

This compared to 64% reporting 1985 development activity in the southeast, and 14% respectively for the Southwest and Pacific. Seven per cent of this group also indicated that last year they opened centers in the mid-Atlantic region.

While the survey indicates an upswing in new center builing, the flurry of activity surrounding the expan-

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Trends in construction financing

The recent study of the shopping center development outlook conducted by *Chain Store Age Executive* indicates that such developers are using a diverse assortment of vehicles to finance both expansion of existing centers as well as the building of new ones.

However, what the results show most clearly is a substantial upsurge in the use of conventional long-term mortgages.

Looking at the total survey sample, between 1984 and 1985 the usage of these tripled among this group, used by 40% last year, compared to only 14% in 1984.

The increased popularity of such loans is obviously a reflection of a number of changes in the financing market including the greater availability of such mortgages at better interest rates.

As if this increase in usage isn't significant enough in itself, among those survey participants who cite regional malls as their primary area of center development, the change is even more pronounced. While only 26% of this group made use of such loans in 1984, the number went up to 67% last year.

Even those builders who are primarily involved in neighborhood/convenience/community centers got in on the action. While none of this group reported making use of conventional mortgages in 1984, 25% did last year.

Conversely, 1984's No. 1 financing method, open-end construction loans, fell to the No. 2 position, used by only 18% of those surveyed. Thy were used by none of the regional mall group.

However, open-end loans remained the dominant means of financing neighborhood/convenience/community centers, utilized by 31% of this group, and down only slightly from 1984's 32%.

In abandoning open-end loans, what the regional mall group turned to instead was permanent take-outs, used by 5% in 1985, after not being used at all in 1984.

This financing tool also became more popular for neighborhood/convenience/community center developers with 19% of this group reporting obtaining such financing, up substantially from only 4% in 1984.

For the survey group in total, the use of permanent take-outs last year rose to 10%, from 2% the year earlier.

At the same time, the popularity of the "do-it-yourself-route," *i.e.*, using internally generated funds as construction financing, dropped somewhat, to only 8% of the survey total, down from 14% in 1984.

The drop was most noticeable among neighborhood/convenience/community center developers; 9% of this group funded their projects internally in 1984, none did last year.

Among the regional mall group, the decline was almost as great, utilized by only 10% down from 16% the year before.

Conversely, the use (and availability) of public money appears to have come back in vogue in 1985, used by 8% of those developers surveyed, up from 2% in 1984.

Similarly, while those developers dealing primarily with regional malls or with neighborhood/convenience/community centers did not make use of public funds in 1984, 5% and 6% did so last year.

While public money became more attractive, money acquired through arrangements with pension funds declined in popularity (and have not been used at all in either of the last two years by the neighborhood/convenience/community center group).

For the total survey group, only 4% reported using such money, down from 6% a year earlier. Looking at the regional mall respondents specifically, only 10% of that group made use of such money last year, down from 16%.

The regional mall group also moved completely away from utilizing revolving lines of credit, although 5% took advantage of the availability of such lines in 1984. Their usage remained virtually the same for the neighborhood/convenience/community center developers, used by 13%, compared with the previous year's 14%. For the survey group as a total, this method was used by 4% in 1985, down from 8% in 1984.

sion of existing centers may be dying down.

For example, the report shows that for the total survey group expansion of existing centers is expected to account for only 14.6% of GLA additions in 1987, down significantly from 23.8% forecast for this year, and from 1985's 21.3%.

The decrease, though, is most dramatic when looking at the regional mall classification specifically. In 1987, only 16.2% expect to expand centers, a big drop from this year's 35.3% (in 1985, expansion accounted for 29.4% of GLA additions).

Obviously the higher level of new construction is causing part of this shift. One familiar scenario is that a developer finds himself now able to go ahead with brand new centers, because he finally got all of the local clearances needed, because he was able to attract strong anchors for such a project and/or he was finally able to obtain a palatable financing package. Such conditions make new center construction a better bet than it's been for the past few years.

However, another major explanation for a decrease in expansion construction is that some developers quite simply may be running out of suitable sites, having turned almost 100% of their attention to the expansion of existing projects during the height of the recession.

The situation is considerably different in the case of expansion of neighborhood/convenience/community centers, particularly because most such developers have consistently maintained a high level of new construction throughout the recession. Consequently, seeking expansion opportunities has not been a priority.

Specifically, expansion of existing centers is expected to account for only 13.6% of this category's additions to GLA during this year, down slightly from 14.2% in 1985. However, this percentage is expected to rise to 18.5% in 1987.

At the same time, the average additional square feet created in the expansion of an existing center is expected to be only 60,000 sq. ft. this year (figures for 1987 were not obtained in the survey). This is down considerably from an average of 119,000 sq. ft. in 1985, but closer to 1984's average of 50,000 sq. ft.

Conversely, the average addition to regional malls remains at a more consistent level. Projections indicate such projects will add an average of 171,000 sq. ft. this year, up slightly

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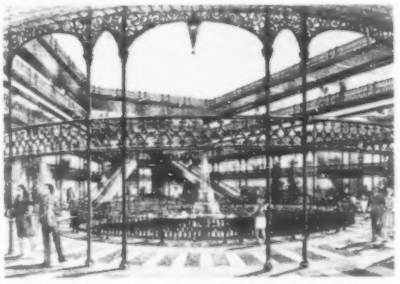

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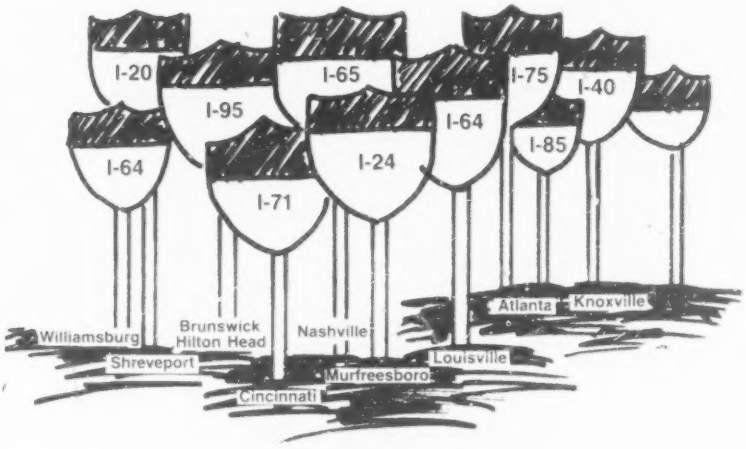

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from 153,000 sq. ft. in 1985 and 163,000 sq. ft. in 1984.

For the survey group in total, the average for 1985 and 1986 is projected to remain constant at 125,000 sq. ft., up from 1984's 94,000 sq. ft.

In terms of expansion costs per square foot, as in the case of new construction costs, these too are on the decline. Specifically, for the total survey sample, the average cost per square foot for expansion is expected to fall to $30.70 this year. While only 1% below 1985's $31.10, it marks a significant 28% decline from 1984's average of $43.30 per square foot.

For regional mall developers, the situation is basically the same: an average of $33.20 projected for this year, down slightly more than 1% from 1985's $33.60 per square foot, and 30% below 1984's average of $47.50.

The situation is only slightly different in the case of neighborhood/convenience/community center developers, with costs this year projected to decline by 5% to $26.10 per square foot, from 1985's $27.50. This also represents an even heftier decline of over 36% from 1984's $41.70.

An area where the differences between regional mall developers and neighborhood/convenience/community center developers is even more marked is in terms of acquisitions.

In the case of the regional malls, for example, acquisitions are expected to account for a significant 17.2% of this year's additions to GLA. However, in the case of smaller centers, this area is expected to account for only 2.1% of projected increases.

While looking ahead to 1987, the level of acquisitions of regional malls is expected to decline to 10.3% of GLA additions, it is still well above neighborhood/convenience/community center's 2.3%.

One possible reason for these discrepancies is related to the availability of new development, or expansion, opportunities. In particular, in the case of regional malls, for many of these developers, it may very well be easier to expand their GLA holdings through buying an existing center rather than taking the risk of building a new one, or expanding an existing one.

Yet, those developers willing to take the gamble of new center construction may receive the biggest payoff of all. It's up to them to weigh the odds and hope they turn out to be in their favor. ■

MURKY SKIES AHEAD

FORECASTERS TRY TO SEE THROUGH THE FOG

Leo Cherne has been making financial forecasts for more than four decades. However, he is facing one of his greatest challenges yet in trying to bring the 1986 economic picture into focus.

"I have never, or at least not in many years, known the picture ahead to be as murky," says Cherne, chief economist for the New York City-based Research Institute.

"As a matter of fact," he adds, "I cannot tell you how difficult the task is of penetrating the mystery of 1986," especially when it comes to arriving at exact numerical measurements.

Such admissions are a rarity especially among economists who are usually an extremely self-confident lot. However, many of Cherne's peers

are equally baffled in predicting what lies ahead for the economy.

The only thing they appear sure of is that there's no recession on the horizon. Conversely, they agree that there aren't any really positive developments in sight either.

Unemployment is expected to continue to hover at around 7%. Significant growth in personal income isn't likely. Inflation will be moderate, at somewhere between 4% and 5%. And interest rates aren't likely to move much—up or down.

"The economy in 1986 will probably be comparable to 1985," says Jack Kilmartin, chairman and ceo of Mervyn's. In other words, the situation will remain pretty much *status quo*—or so retailers and economists alike are assuming.

For example, James Moody, chairman and ceo of Hannaford Brothers, and chairman of the Food Marketing Institute, says, "My expectation is more of the same for the economy in 1986. There will be some continued growth, but nothing dramatic. I don't expect that the economy will fall out of bed for 1986."

There are, of course, always those economic variables that can play havoc with the forecasts—even when the future is far less foggy. For instance, in 1986, "There could be some emotional impact that would relate to a new tax law and to any positive steps that could come out of Congress to address the deficit," says Kilmartin.

Such possibilities are likely to be on the minds of Kilmartin and other leading general merchandise retailing executives when they gather in New York City later this month for the annual convention of the National Retail Merchants Association.

However, the first hurdle they are faced with this year isn't related to the economy but rather to intense competition coming from the Detroit automakers. Following the pattern of last September and October, the automakers are launching another round of auto purchasing incentives, including offering lower interest rates and longer payoff schedules to encourage new car purchases.

"With the limited amount of money consumers have to spend, when they spend for autos, they are likely to spend less for other items," points out Cherne.

Just what magnitude this effect can have is shown by what occurred in last year's third quarter—when many of the auto incentives went into effect. While the figures for that quarter were eventually revised to indicate a 5.3% increase in consumer spending, growth in automobile sales accounted for approximately 70% of the increase, according to Dr. Sandra S. Schaber, an economist with Chase Econometrics, Bala Cynwyd, Pa.

Looking ahead to 1986, she is forecasting that nonauto consumer spending will be up approximately 5% year-to-year.

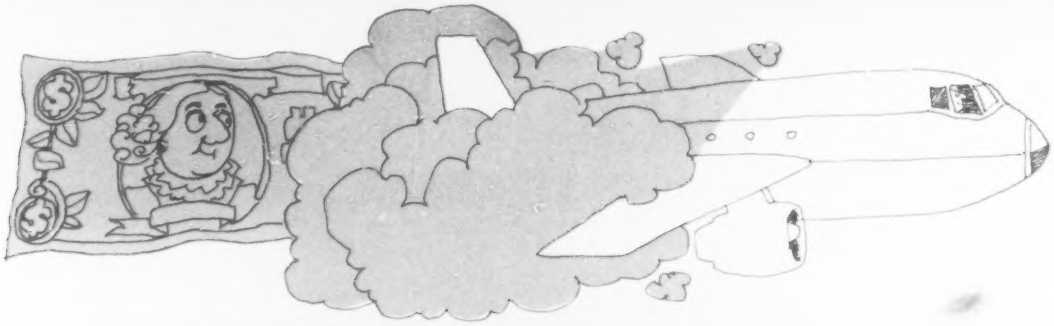
General merchandise, apparel and furniture retailers should fare slightly better, with GAF sales projected to rise 5.5%, according to Rosalind Wells, manager of corporate economics at J. C. Penney. She also believes that the outlook for such retailers should show steady improvement after the latest round of auto incentives, as consumers once again shift their purchasing patterns.

However, "muddling along" is how she describes the economy in general. "I don't think there are any signs of a recession, but neither are there signs of strength anywhere."

Michael Rourke, vp-communications and corporate affairs for A&P, agrees with this assessment—but only up to a point. "In general, I look forward to a continuation of the overall improvement that we have been experiencing for the past couple of years during the first half of 1986," he says. "But after that it is a little cloudy as to whether that will continue."

However, at Giant Food, the Landover, Md.-based supermarket chain, David B. Sykes, senior vp-finance, claims to be "very bullish about our economy." He adds, "I'm looking for stabilized interest rates, if not lower interest rates, and that should help all of us."

One of the areas of retailing most sensitive to interest rate swings is jewelry sales. At Kay Jewelry, the nation's third largest jewelry store chain (*see related story this issue*), Michael



Forecast for selected economic indicators
(Year-to-year percentage change in constant dollars)

	GNP	Disposable personal income	CPI	Savings rate	Personal expenditure	General merchandise sales[1] Constant dollars	General merchandise sales[1] Current dollars
1980	(0.37)%	0.59%	13.49%	6.03%	0.46%	(0.37)%	6.72%
1981	2.52	2.71	10.35	6.73	2.00	3.10	8.88
1982	(2.13)	0.85	6.15	6.23	1.35	(0.22)	4.08
1983	3.70	3.51	3.20	5.05	4.76	5.52	8.84
1984	6.82	6.72	4.25	6.08	5.27	9.43	10.59
1985[e]	2.47	2.42	3.83	4.78	4.10	4.80	7.20
1986[e]	3.38	2.90	4.82	5.20	2.46	3.86	7.35

[1]General merchandise sales are equivalent to durable goods sales, minus autos, plus nondurables sales minus food, fuel and gas.
( ) decrease [e] estimate
Source: Dean Witter Reynolds

R. Lavington, president and coo, points out that if interest rates should climb, "It will have a negative effect—we saw that in 1980 and in 1981. But now they're better than they've been in years. There is no indication that they will shoot up and that is a favorable factor."

Another uncertain factor is what will be the impact of the current unusually high rate of consumer debt, although some retailers thus far don't appear overly concerned.

As A&P's Rourke points out, "It's been pretty high for the past couple of years and that hasn't had a strong impact so far."

A note of caution, though, is sounded by Henry Panasci Jr., chairman of Fay's Drug. While not directly impacting the drug business thus far, "High consumer installment debt indicates a lesser amount of disposable income to be used for purchasing general merchandise," he says. "To this extent, there will be a softness in the sale of general merchandise."

Mervyn's Kilmartin also admits that "The high consumer installment debt could have a negative impact on retail spending."

However, Susan Sterne, chief economist with Economics Analysis Associates based in Stowe, Vt., takes a very different view of the potential impact of the high consumer debt load. While conceding that "Consumers have, without a doubt, used a lot of credit," she thinks that not only will this "become the norm" in the future, but "I don't think it has the negative influence that it had in the 1970s." Why not? "Because the consumer is financially much healthier in the 1980s. While he has a lot of debt, he also has a fairly big store of financial savings behind that debt. This enables him to maintain a relatively good amount of expenditures."

She adds, "Literally, you can look at total debt outstanding in relation to disposable personal income. Historically, within every economic cycle the ratio of outstanding debt to income has reached an all time high. But, at the same time, we are seeing an environment of a significant lowering of the rates paid, especially in the automotive area. By offering extended terms and lower interest rates on a monthly basis the consumer can support more debt because this burden isn't as significant when the monthly payments aren't so great."

Joseph Saul, chairman of New York City-based Brooks Fashion Stores, also tends to think that perhaps too much attention has been focused on the consumer debt burden. "Consumer debt is not as high as everyone claims," he says. "It's actually the consumer managing his money. It's not really debt. It's just a shifting around of money."

Yet, no matter what the actual impact of this particular economic indicator, most economists tend to agree that consumer spending can't continue to fuel the economy forever. As Wells observes, "Consumer spending has been leading the way, but income hasn't been rising at the same pace. With a drop in the savings rate [that she expects can't continue forever] and an increase of debt in relation to income, you can't expect consumers to be the driving force," and the slack doesn't appear likely to be taken up by either government spending or the business sector.

Therefore, most projections call for growth in the Gross National Product (GNP) to hover at only somewhere between 2.5% and 3% at least through the first half of the year. After that, the crystal ball grows even hazier, although most forecasts call for an increase in GNP for the year of no more than 3.5% at the outset.

However, there is still a chance for further improvement. For example, Sterne says that at Economics Analysis Associates, "Basically what we expect is a relatively slow start to the year, with gradual upward momentum. This doesn't mean a recession but just a continuation of very modest growth."

She is also quick to add that retailers may be suffering their worst problems right now as they battle "a very promotional environment of large ticket auto sales." Following this period, though, "they should expect to fare substantially better."

Attempting to gaze farther ahead to the second half, she foresees a general inventory buildup among American businesses which will help to lower the value of the dollar, a development which favors U.S. manufacturers. This development, will,

in turn, "lead to income growth which favors retailing," she points out.

Another development which would definitely favor retailing, should it come about, is an improvement in the housing market. So far, and despite last year's drop in the interest rates, no such development is in sight.

One lesson learned from the housing sector's disappointing performance is that it takes a lower interest rate than originally was anticipated to really spur sales, according to Sterne. Therefore, at least over the near term, "I view housing as sort of a stable area—kind of a neutral in the economy."

What's happened, she claims, is really related to the question of affordability. In 1976, for example, when interest rates hovered at 8% or less, 70% of the population could afford the average house, she says. However, in 1984, only 34% could afford it at a 12% mortgage rate (housing has, of course, also gone up considerably in price)—and there's been little change in rates since then. In addition, of this group, 85% already owned a house, while in 1976 only 50% had already made such a purchase.

Economic forum consensus

	Actual	Estimated	Projected 1985	
	1984	1985	Median	Range
Economic growth (Real GNP, %)	5.7	2.1	3.2	2.0 to 4.5
Inflation (GNP deflator %)	3.8	3.6	4.2	3.1 to 4.9
Unemployment rate (%)	7.2	7.0	6.8	6.4 to 7.5
Prime rate (%)	11¾	9½	9½	8.5 to 12

Note: Figures for growth and inflation are per cent changes over the four quarters of the year, i.e., from 1985's fourth quarter to 1986's. For the unemployment rate and the prime rate, figures are for the fourth quarter of the year.

Source: Economic Forum Flash Report, The Conference Board

Barbara Alexander, a retail industry analyst with Salomon Brothers, says, "While I think affordability is a necessary condition for spurring housing starts, I don't think it alone is sufficient. There are a number of other conditions which are also a factor."

One of these is the fact that in most areas of the country appreciation on houses is "so relatively low that it is not the purchasing incentive it used to be—especially since now someone generally has to own a house for two years or more just to cover all the closing and related costs."

Consumers' willingness to saddle themselves with extremely large housing payments may also be waning. "It used to be one thing for home builders to leverage themselves up when they thought that there earnings would be up 10% next year, and therefore then a smaller percentage of their income would be going to housing—it was okay to expect to have to eat franks and beans for one year, if you knew that the next year you would be eating chopped meat and then the third year steak. But now incomes are going up at a much slower pace and that's causing consumers to look at leveraging them-

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selves in a different way."

At the same time that owning one's own home might appear less attractive, there is also "An enormous reservoir of rental housing in most markets," Alexander adds. "Not only do consumers have an opportunity to rent homes at extremely attractive prices, but if they don't buy now, their total costs may be lower next year—that's what's been happening for the last three years."

It's not surprising then that housing starts are expected to decline approximately 2.8% this year, down to 1.76 million new units from 1985's 1.81 million, according to Chicago Title Insurance Co., one of the country's largest insurers of property titles.

Yet, home center chains, such as No. 1 Lowe's in Wilkesboro, N.C., aren't letting the housing picture deter them from their scheduled growth. As W. Cliff Oxford, vp-corporate relations, says, "You have to look at the growth of our company as a long-range strategy and not based on the impact of any one given year." The company has plans in the works to open 22 new stores this year.

Oxford also points to a bright spot that has appeared for housing-related businesses. Specifically, he reports that actions of the U.S. Congress concerning President Reagan's tax bill have "come out protecting the one- and two-home mortgages." He adds, "That's an action that brings a sigh of relief because housing starts in the beach and resort areas have been down. People have been living in fear. But now that's behind us and folks will be building second homes again."

According to Wells, because housing starts in general have "plateaued," she believes that home furnishings should be a laggard in any upcoming upturn in retail sales.

An area that she sees remaining strong, however, is "good ole electronics." While sales of such products rose at a rate of over 13% year-to-year in 1985, and while she doesn't expect that rate of increase to continue, "Even in this year I expect to see above average growth in these sales."

Another classification where she believes sales "should hold up well" is women's apparel, with continuing demand created by the "whole population of working women and career women out there."

As for Cherne, by presstime he still hadn't quite brought 1986 into focus. For him, the mystery remains. ■

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